

DATE ISSUED: June 10, 2004 REPORT NO. 04-128

ATTENTION: Land Use and Housing Committee
Agenda of June 16, 2004

SUBJECT: Otay Mesa Public Facilities Financing Plan and Facilities Benefit
Assessment

REFERENCE: "Otay Mesa Public Facilities Financing Plan and Facilities Benefit
Assessment, Fiscal Year 2005," June 16, 2004 Draft

SUMMARY

Issues – Should the City Council: 1) Approve the Otay Mesa Public Facilities Financing Plan (PFFP) for Fiscal Year 2005; 2) Adopt a Resolution of Intention to designate an area of benefit for a Facilities Benefit Assessment (FBA) in Otay Mesa; 3) Adopt a Resolution of Designation; and 4) Approve the setting of Development Impact Fees (DIFs) consistent with the FBA in Otay Mesa for those developments which have never been assessed or otherwise agreed to pay an FBA.

Manager's Recommendation – Adopt the four resolutions.

Community Planning Group Recommendations – At the May 16, 2004, meeting the Otay Mesa Planning Group unanimously approved and recommended adoption of the draft FY 2005 Public Facilities Financing Plan and Facilities Benefit Assessment. The planning group also supported a resolution to recommend “the City continue to study the potential separation of the east and west subareas into separate FBA's, and study the perceived inequities in funding between the two areas. This issue should be addressed as part of the FBA update associated with the Community Plan Update.”

Environmental Impact – None by this action.

Fiscal Impact – Approval of this Public Facilities Financing Plan and Facilities Benefit Assessment will continue to provide a funding source for the public facilities identified in the community plan.

Code Enforcement Impact – None by this action.

Business Impact Statement – The proposed assessments in the Otay Mesa area are higher than the existing assessments, but failure to assure the required infrastructure would have an adverse impact on the development of the area.

BACKGROUND

The proposed FY 2005 Otay Mesa Public Facilities Financing Plan is the annual update of the PFFP approved January 14, 2003, by Resolution R-297540, and incorporates changes that have occurred since then. These changes include: revisions to the development schedule; increased public facility costs due to increased construction costs, increased costs for land, and newly adopted City standards; and increases in the FBA rates to reflect the obligations to construct or reimburse for the required facilities.

DISCUSSION

Council Policy 600-36 directs the City Manager to prepare an Annual Review for each FBA area. This proposed FY 2005 Otay Mesa Public Facilities Financing Plan and Facilities Benefit Assessment have been prepared in accordance with that Policy.

The PFFP details facilities that will be needed through the ultimate development of the Otay Mesa community, which is presently estimated to be FY 2031. Otay Mesa is a partially developed community with some community facilities in place. The costs of facilities yet to be constructed are apportioned equitably among the undeveloped parcels within the Area of Benefit. The FBA will be collected at the time of building permit issuance and deposited into special interest earning accounts for Otay Mesa.

The draft PFFP incorporates the following changes which have occurred since the last update:

1. The proposed FBA rates have increased 53% over the current FY 2004 rates.
2. The Development Schedule has been modified to reflect slower than previously anticipated development in the multifamily dwelling units, commercial development, and Otay International Center land use categories.
3. Significant project costs increases are listed in Attachment 2.

City staff will continue to work closely with the Otay Mesa Community Planning Group in addressing on-going project cost sharing issues between the east and west subarea cashflows.

Facilities Benefit Assessment (FBA)

Remaining public facility needs, based on estimated development, is projected to be \$1,296,321,647. Funding sources are broken down as follows:

AMOUNT	FUNDING SOURCE	% OF TOTAL
\$ 73,192,389	East Sub-area FBA	5.6%
\$101,175,625	West Sub-area FBA	7.8%
\$163,088,054	Developer/Subdivider	12.6%
\$958,865,579	Other (Primarily CalTrans Projects)*	74.0%
\$1,296,321,647	TOTAL	100.00%

* Amount shown includes SR-125 project budgeted at \$530M. Only a small portion of this project lies within the Otay Mesa community.

The proposed FY 2005 FBA rates, reflecting a 53.0% increase from the FY 2004 schedule, are shown below:

PROPOSED		
	EAST FBA	WEST FBA
Single Family Dwelling Unit	N/A	\$12,584
Multiple Family Dwelling Unit	N/A	\$ 8,809
Commercial Acre	\$76,014	\$72,361
Industrial Acre	\$25,085	\$25,168
OIC I100 Acre	\$25,085	N/A
OIC I300 Acre	\$73,732	N/A
OIC I400 Acre	\$98,058	N/A

Council has previously directed that assessments are appropriate development impact fees for all properties in the Otay Mesa Area that have never been assessed or otherwise agreed to pay a Facilities Benefit Assessment. Therefore, it is recommended that the above proposed Fiscal Year 2005 Assessments also be adopted as Development Impact Fees for Otay Mesa (see Attachment 1).

The FY 2005 PFFP proposes an increase in the Facilities Benefit Assessment over and above the inflationary rate programmed. The proposed Resolution of Intention will set a date for a public hearing. Prior to the public hearing, mailed notice will be given to all assessable property owners of developable land within the proposed area of designation indicating the date of the hearing and their right to file a protest with the City Clerk. Notice will also be given by publication of the Resolution of Intention in the City's official newspaper. Unless overruled by a four-fifths vote of the Council, written protests by owners of more than one-half of the area of the property proposed to be included within the Area of Benefit shall cause the proceedings to be abandoned.

ALTERNATIVE

Do not adopt the proposed Fiscal Year 2005 Public Facilities Financing Plan and Facilities Benefit Assessment. This is not recommended because the proposed fees will ensure that new development contributes its proportionate share for new facilities identified in the community plan. In the absence of these fees, alternative funding sources will have to be identified to fund new development's share of the identified facilities or public facilities will have to be deferred or deleted.

Respectfully submitted,

S. Gail Goldberg, AICP
Planning Director

Approved: George Loveland
Assistant City Manager

GOLDBERG/FJ

Attachments: 1. [Development Impact Fee Analysis](#)
2. [Significant Project Changes](#)
3. [Otay Mesa Public Facilities Financing Plan and Facilities Benefit Assessment, Fiscal Year 2005](#)

Note: The size of the attachment precludes general distribution; a copy is available for review in the office of the City Clerk.

**OTAY MESA PUBLIC FACILITIES FINANCING PLAN
(Development Impact Fee Analysis)**

- 1) What is the purpose of the Impact Fee? – The proposed Impact Fees are to ensure that development provides its fair share of funding for community public facilities.
- 2) What is the use to which the fee is to be applied? – The Impact Fees will be used to finance transportation, park, fire, library, water and sewer, and police facilities. A list of the public facilities projects begins on page 39 of the Otay Mesa Public Facilities Financing Plan.
- 3) What is the reasonable relationship between the fee’s use and the type of development project on which the fee is imposed? - The Impact Fees will be used to provide for a fair share contribution for community infrastructure projects needed to serve both residential and non-residential development based on the increased intensity of their development. Credit will be given for any existing development.
- 4) What is the reasonable relationship between the need for the public facility and the type of development project on which the fee is imposed?
 - Transportation Projects: Both residential development and non-residential development utilize the communities’ transportation system which requires various street projects, traffic signal interconnect systems, landscaping and medians.
 - Park and Recreation Projects: Residential development utilizes the communities’ parks and improvements are necessary based on the population build-out and the General Plan guidelines to maintain the existing level of service.
 - Fire Projects: Both residential and non-residential development utilizes fire department services and a new station is necessary based on the population build-out to maintain the existing level of service.
 - Police Projects: Both residential and non-residential developments utilize police department services and have made contributions for funding the expansion of the Southern Area Police Station.
 - Water and Sewer Lines: Both residential and non-residential development utilizes water and sewer lines and new or expanded lines are necessary based on the population build-out to maintain the existing level of service.
 - Library Projects: Residential development utilizes the community libraries. A new library and the expansion of the existing Otay Mesa-Nestor branch library are necessary based on the population build-out and the General Plan guidelines to maintain the existing levels of service.

**SIGNIFICANT PROJECT CHANGES
(Otay Mesa Public Facilities Financing Plan)**

- 1) T-1.2, Palm Avenue/I-805 Interchange Phase II. \$500,807 increase in estimated total project cost from \$3,001,920 to \$3,502,727 based upon updated estimates.
- 2) T-1.3, Palm Avenue/I-805 Interchange Phase III. \$188,740 increase in estimated total project cost from \$1,261,260 to \$1,450,000 based upon updated estimates.
- 3) T-1.4, Palm Avenue/I-805 Interchange Phase IV. \$1,210,580 increase in estimated total project cost from \$8,064,420 to \$9,275,000 based upon updated estimates.
- 4) T-2.2, Ocean View Hills Parkway – Phase II (Central). \$1,418,263 increase in estimated total project cost from \$3,590,280 to \$5,008,543 based upon updated estimates.
- 5) T-2.3, Ocean View Hills Parkway – Phase III (South). \$157,008 increase in estimated total project cost from \$3,140,155 to \$3,297,163 based upon updated estimates.
- 6) T-3.3, Dennery Road – (East). \$62,788 increase in estimated total project cost from \$1,255,582 to \$1,318,370 based upon updated estimates.
- 7) T-3.4, Dennery Road – Robinhood Ridge Connection. \$4,322,360 increase in estimated total project cost from \$1,277,640 to \$5,600,000 based upon updated estimates.
- 8) T-3.5, Triple Pipe Crossing – Dennery Road. \$36,909 increase in estimated total project cost from \$738,192 to \$775,101 based upon updated estimates.
- 9) T-4.1, Del Sol Boulevard – (West). Project is completed. \$278,242 previously programmed from the Otay Mesa West FBA has been reprogrammed to Project T-4.3, Del Sol Boulevard – (Central).
- 10) T-4.3, Del Sol Boulevard – (Central). \$334,908 increase in estimated total project cost from \$1,705,092 to \$2,050,000 based upon updated estimates.
- 11) T-21.1, New Heritage Road (Otay Valley Road) – North. \$3,643,163 increase in estimated total project cost from \$1,856,837 to \$5,500,000 based upon updated estimates.
- 12) T-21.2, New Heritage Road (Otay Valley Road) – Bridge. \$8,367,600 increase in estimated total project cost from \$5,132,400 to \$13,500,000 based upon updated estimates.
- 13) T-21.3, New Heritage Road (Otay Valley Road) – Central. \$4,811,101 increase in estimated total project cost from \$6,338,899 to \$11,150,000 based upon updated estimates.
- 14) T-21.6, New Heritage Road (South of Airway). \$55,596,050 increase in total project cost from \$8,903,950 to \$64,500,000 based upon updated estimates.

- 15) T-23, La Media Road. \$13,306,172 increase in total project cost from \$8,343,828 to \$21,650,000 based upon updated estimates.
- 16) T-50.2, Old Otay Mesa Road – West (Through Open Space). \$834,400 increase in total project cost from \$1,965,600 to \$2,800,000 based upon updated estimates.
- 17) T-54, Airway Road – West. \$47,350,164 increase in total project cost from \$10,149,836 to \$57,500,000 based upon updated estimates.
- 18) P-1, Ocean View Hills Neighborhood Park No. 1. \$300,000 increase in total project cost from \$1,950,000 to \$2,250,000 based upon updated estimates.
- 19) P-2, Dennerly Ranch Neighborhood Park No. 2. \$1,485,000 increase in total project cost from \$3,465,000 to \$4,950,000 based upon updated estimates.
- 20) P-4.1, Community Park No. 1 – North site. \$5,150,000 increase in total project cost from \$5,850,000 to \$11,000,000 based upon updated estimates.
- 21) P-4.2, Community Park No. 1 – Recreation Center. \$50,000 increase in total project cost from \$3,300,000 to \$3,350,000 based upon updated estimates.
- 22) P-5, Riviera Del Sol Neighborhood Park No. 4. \$1,021,908 increase in total project cost from \$2,548,000 to \$3,569,908 based upon updated estimates.
- 23) P-6, Hidden Trails Neighborhood Park No. 5. \$308,000 increase in total project cost from \$1,856,400 to \$2,164,400 based upon updated estimates.
- 24) P-10, Athletic Facilities – Siempre Viva/Beyer. \$1,894,275 increase in total project cost from \$7,262,000 to \$9,156,275 based upon updated estimates.
- 25) P-11.2, Recreation Center – South Site. \$2,340,000 increase in total project cost from \$660,000 to \$3,000,000 based upon updated estimates.
- 26) P-12, Neighborhood Park No. 6 – South of SR-905. \$150,000 increase in total project cost from \$2,600,000 to \$2,750,000 based upon updated estimates.
- 27) P-20, Community Swimming Pool. \$700,000 increase in total project cost from \$3,300,000 to \$4,000,000 based upon updated estimates.
- 28) F-2, Fire Station No. 6. \$1,508,800 increase in total project cost from \$3,976,000 to \$5,484,800 based upon updated estimates.
- 29) L-1, Otay Mesa-Nestor Branch Library Expansion. \$119,500 increase in total project cost from \$3,044,000 to \$3,161,500 based upon updated estimates.

30) L-2.2, Branch Library expansion. \$91,650 increase in total project cost from \$1,833,000 to \$1,924,650 based upon updated estimates.

31) A-1, Brown Field – (Land Acquisition for Runaway Zone). This project has been deleted.